

## Message Text

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ACTION ARA-10

INFO OCT-01 EA-06 IO-10 ISO-00 AGR-05 CIAE-00 COME-00

EB-07 INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00

CIEP-01 FRB-03 OMB-01 SSO-00 INRE-00 SS-15 NSC-05

NSCE-00 /078 W

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O R 192250Z FEB 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC IMMEDIATE 7447

INFO AMEMBASSY TAIPEI

AMEMBASSY SAN JOSE

AMEMBASSY TOKYO

AMEMBASSY BOGOTA

AMEMBASSY MEXICO CITY

AMEMBASSY PORT AU PRINCE

USMISSION GENEVA

AMEMBASSY SINGAPORE

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E.O. 11652 - N/A

TAGS: ETRD, ES, CO, HA, JA, CS

SUBJECT: TEXTILES: GOES PREPARES REQUEST O RENEGOTIATE JUST COM-  
PLETED BILATERAL MEMORANDUM OF UNDERSTANDING

REF: A) SAN SALVAOR 0382 (NOTAL); B) TOKYO 1126 (NOTAL); C)

SAN SALVADOR 0372 (NOTAL); D) CAMPBELL-JURICH TELECON 19 FEBRUARY

DEPT ALSO FOR JURICH; GENEVA FOR PHELAN

1. SUMMARY: UNDER PRESSURE FROM SOME OFFICIALS WITHIN ITS  
GOVERNMENT, FROM SALVADORAN APPAREL INDUSTRY AND FROM THIRD  
COUNTRY GOVERNMENTS, GOES HAS INFORMALLY ASKED US TO RE-  
OPEN TEXTILE NEGOTIATIONS. IT IS SUGGESTING BASE FOR NEW  
DISCUSSIONS AS THREE YEAR TOTAL OF 91M SYE IN GROUP 2 VERSUS  
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ORIGINALLY AGREED 40M SYE AND OTHER COMPARABLE SUBSTANTIVE

CHANGES IN OTHER PROVISIONS OF OUR BILATERAL MEMORANDUM OF UNDERSTANDING. MAJOR PRESSURE IS FROM JAPANESE FIRM, CONTEXSA, AND MEMORANDUM FROM IT TO GOES IS OUTLINED BELOW. EMBASSY HAS ATTEMPTED TO DISCOURAGE GOES FROM INSISTING ON REOPENING NEGOTIATIONS AND AMBASSADOR WILL SEE FONMIN AGAIN FRIDAY 21 FEBRUARY TO DISCUSS. WE ARE REQUESTING INFORMATION AND INSTRUCTIONS FROM DEPARTMENT FOR THIS MEETING AND ANY SUBSEQUENT DISCUSSIONS. END SUMMARY.

2. LETTER DATED 7 FEBRUARY, DELIVERED 10 FEBRUARY, FROM FO-MINISTRY'S CARLOS CORDERO D'AUBUISSON TO ECONOFF TIMOTHY BROWN, IN EFFECT, ASKS THAT JANUARY 25 MEMORANDUM OF UNDERSTANDING CONCERNING BILATERAL TEXTILE TRADE BE COMPLETELY RENEGOTIATED. LETTER SPECIFICALLY ASSERTS THAT GROUP 2 LIMITS IN MEMORANDUM ARE INSUFFICIENT, WERE BASED ON ESTIMATED DATA ONLY AND THAT GOES WISHES TO RENEGOTIATE LEVEL. LETTER ALSO ENDORSES "CONFIDENT" MEMORANDUM FROM SALVADORAN DR. MENJIVAR, LAWYER, GENERAL MANAGER, OF CONTEXSA AND PROPOSES IT AS BASIS FOR "MORE REALISTIC" AGREEMENT (SEE BELOW). AS LAST POINT LETTER ASKS FOR 15 DAY DELAY IN PRESENTATION OF ANNEX A OF MEMORANDUM (WE ARE NOW IN 25TH DAY IN ANY EVENT).

3. GOES HAS OBVIOUS PROBLEMS WITH MEMORANDUM OF UNDERSTANDING. TWO MEMBERS OF ITS DELEGATION (MILIAN, GUTIERREZ) HAVE TOLD US SEPARATELY THAT GOES SIMPLY CANNOT ABIDE BY NEGOTIATED LEVELS. PRESSURES HAVE COME FROM APPAREL INDUSTRY AND THIRD COUNTRIES AS WELL AS FROM WITHIN GOES (MILIAN, FOR EXAMPLE, AS DIRECTOR OF NEW NATIONAL TRADE INSTITUTE WOULD BENEFIT BUREAUCRATICALLY FROM INCREASE IN 1795-). EMBASSY HAS BEEN ATTEMPTING TO DISCOURAGE ANY POSSIBILITY OF REOPENING NEGOTIATIONS (SEE PARA 7 BELOW).

4. AN OUTLINE OF MENJIVAR MEMORANDUM ATTACHED TO CODERO-BROWN LETTER FOLLOWS:

MENJIVAR MEMO:

A) MEMORANDUM OF UNDERSTANDING IS CONSIDERED A NEGOTIATING BASE ONLY AND AGREEMENT SHOULD FUNDAMENTALLY CHANGE ITS CONTENTS.

B) TEXTILES EXTREMELY IMPORTANT HERE.  
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C) APPAREL INDUSTRY OF PRIMARY IMPORTANCE TO EL SALVADOR.

D) MENJIVAR MEMO CONCENTRATES ON GP. 2.

E) MENJIVAR MAKES 6 PROPOSALS:

1) GP. 2 QUOTA SHOULD BE RAISED FROM 11 TO 25M SYE FIRST

YEAR AND FROM 2ND AND 3RD YEAR TOTAL OF 29M SYE TO 30M SYE  
SECOND YEAR AND 36M SYE THIRD YEAR, RAISING OVERALL THREE  
YEAR TOTAL FROM 40M SYE TO 91M SYE.

2) GP. 2 SHOULD BE DIVIDED FORMALLY WITHIN AGREEMENT BETWEEN APPAREL OF NATIONAL ORIGIN (INDIGENOUS) AND FROM IMPORTED CLOTH (807) WITH LEVELS SET AS FOLLOW:

FIRST YEAR; INDIGENOUS; 817; TOTAL;  
FIRST YEAR; 15M SYE; 10M SYE; 25M SYE;  
SECOND YEAR; 19M SYE; 11M SYE; 30M SYE;  
THIRD YEAR; 23.9M SYE; 12.1M SYE; 36M SYE;

TOTAL: 91M SYE;

3) REMOVE ALL RPT ALL SPECIFIC CATEGORY LIMITS FROM AGREEMENT AND PLACE CATEGORIES 219 AND 229 IN ANNEX A ONLY AT NEW LEVELS, I.E. 219 AT 3.5M SYE (VICE 1.8) AND 229 AT 5M SYE (VICE .99).

4) CHANGE SYSTEM OF CONSULTATIONS SO THAT US CAN ASK FOR CONSULTATIONS WHENEVER SALVADORAN EXPORTS IN ANY SPECIFIC CATEGORY ARE CAUSING "GRAVE DISTORTIONS" IN US MARKET. AT THAT POINT GOVERNMENTS WILL TRY TO RESOLVE WITHIN 60 DAYS DURING WHICH PERIOD EL SALVADOR WILL LIMIT EXPORT TO US TO 10 PERCENT PER MONTH OF AVERAGE ANNUAL EXPORT LEVEL OF PRIOR 6 MONTHS. CONSULTATIONS WOULD NOT TAKE PLACE UNLESS SALVADORAN EXPORTS HAD REACHED ANNEX A LEVEL OR 700,000 SYTE IN A PARTICULAR CATEGORY.

5. PRELIMINARY ANNEX A LEVELS, SUBJECT TO UPWARDREVISION, WOULD BE:  
CATEGORY; QUANTITY;  
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216; 2.75M SYE  
231; 1.5M SYE  
224; 4.0M SYE  
238; 2.0M SYE  
219; 3.5M SYE  
229; 5.0M SYE  
55; 1.5M SYE;

6 WITHIN GROUP 2, 807 LEVELS COULD BE EXCEEDED BY 7 PERCENT, INDIGENOUS LEVELS BY 15 PERCENT.

5. IN POINT BY POINT DEFENSE KEYED TO FIRST PART OF MEMORANDUM, MENJIVAR 1) FORCEFULLY ADVOCATES IMMEDIATE INVOCATION OF EQUITY CLAUSE BASED ON INEQUITY OF GROUP 2, 40 M SYE LIMIT.  
2) CONTENDS THAT SEPARATION OF GROUP 2 INTO INDIGENOUS AND

807 APPAREL IS IN BEST INTERESTS OF BOTH PARTIES AND SHOULD BE EASILY OBTAINED.

3) SUPPORTS SUPPRESSION OF ALL SPECIFIC LIMITS AS EQUITABLE BECAUSE OF US DEMAND AND SALVADORAN INSTALLED CAPACITY. HE CITES QUOTAS OF JAPAN, SINGAPORE, ROC, HONG KONG AND KOREA AS CONTAINING MUCH LARGER SPECIFIC LIMITS ON 219 AND 229. SPECIFICALLY, SINGAPORE WITH HALF POPULATION OF EL SALVADOR HAS 37.8 M SYE IN 219. IN EL SALVADOR'S CASE MENJIVAR CLAIMS HIS COMPANY CONTEXSA ALONE EXPORTED 859,050 SYE IN CAT. 229 JAN-DEC 1974, HAS CONTRACTS FOR 1M SYE IN 1975 AND PURCHASE REQUESTS FOR 2M SYE.

4) CLAIMS NEW FORM OF CONSULTATION IS REQUIRED TO DEFEND INTERESTS OF PRODUCERS FOR WHOM DELAYS MEAN LOST SALES.

5) DEFENDS CONSULTATION LEVELS OF PROPOSED ANNEX A AS NECESSARY MINIMUM DEFENSE FOR SALVADORAN PRODUCERS.

6) CITES LACK OF PRECISE DATA ON CAPACITY AND POTENTIAL EXPORTS AND SUGGESTS LESSER FLEXIBILITY IN 807 AND MORE IN INDIGENOUS WILL SERVE INTERESTS OF BOTH.

6. IN HIS SUMMARY, MENJIVAR REFERS TO MUCH MORE DETAILED AGREEMENT BETWEEN US AND JAPAN AND RECOMMENDS GOES STUDY IN DEPTH EACH CLAUSE BEFORE SIGNING WITH US. HE SUGGESTS THAT LIMITED OFFICIAL USE

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DURING NEW NEGOTIATIONS, GOES BE PREPARED FOR US COUNTEROFFERS AND DEVELOP BACKUP POSITIONS. HE FURTHER STATES THAT NUMERICAL LIMITS SUGGESTED IN HIS MEMO ARE ONLY PRELIMINARY AND SUBJECT TO MODIFICATION BASED ON DETAILED REVIEW OF INDUSTRY CAPACITY. A COPY OF US-JAPAN BILATERAL WAS ENCLOSED AND COPY OF HONG KONG BILATERAL PROMISED.

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O R 192250Z FEB 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC IMMEDIATE 7448

INFO AMEMBASSY TAIPEI

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AMEMBASSY BOGOTA

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7. COMMENT: DURING PERIOD SUBSEQUENT TO RECEIPT CORDERO-BROWN LETTER AMBASSADOR IN CONVERSATIONS WITH FOREIGN MINISTER AND GOES AMBASSADOR TO U.S. AS STRONGLY SUSTAINED POSITION THAT U.S. NEGOTIATED MEMORANDUM OF UNDERSTANDING IN GOOD FAITH WITH QUALIFIED NEGOTIATING TEAM WHICH REACTED FORTHCOMINGLY TO ALL REQUEST PRESENTED BY GOES. WE HAD ASSUMED THAT GOES HAD DONE LIKEWISE. CONSEQUENTLY, WE REGARD GOES INTENTION, IN

EFFECT, TO SCRAP MEMORANDUM SIGNED ONLY WEEKS BEFORE AS DISCONCERTING AND UNACCEPTABLE. EMBOFFS HAVE SUSTAINED SAME LINE WITH LOWER LEVEL OFFICIALS FROM FONOFF AND MINECON.

8. AS GOES APPROACH WAS INFORMAL LETTER AT WORKING LEVEL, WE HAVE BEEN ATTEMPTING TO HAVE LETTER WITHDRAWN; HOWEVER IT NOW APPEARS THAT LETTER MAY, INDEED, BE FORERUNNER TO FORMAL LIMITED OFFICIAL USE

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REQUEST FOR RENEGOTIATION.

9. PRESSURE ON GOES TO RENEGOTIATE HAS COME FROM APPAREL INDUSTRY AND THIRD GOVERNMENTS. TRANSMITTAL OF MENJIVAR MEMO HIGHLIGHTS IMPORTANCE OF INDUSTRY PRESSURES ON GOES EVEN THOUGH HE PROBABLY OWNS ONLY 1-2 PERCENT OF CONTEXSA, A LOCAL APPAREL PLANT PROBABLY 98-99 PERCENT OWNED BY CHORI CO. LTD. OF OSAKA, JAPAN. WE SUSPECT THAT CHORI IS REALLY BEHIND MENJIVAR'S INITIATIVE NOTWITHSTANDING ASSURANCES RECEIVED BY EMBASSY TOKYO THAT JAPANESE NOT INTERFERING IN U.S.-E.S. BILATERAL NEGOTIATION.

TIATIONS. CONTEXSA PURCHASES FABRICS FROM INSINCA, ANOTHER JAPANESE TEXTILE FIRM OPERATING HERE AND EXPORTS WOMEN'S BLOUSES, DRESSES, NIGHTWEAR AND UNDERWEAR TO THE U.S., C.A. AND JAPAN. OWNERS OF INSINCJ INCLIE CHORI AND MITSUI OF TOKYO AND TOYO RAYON. INDEED, ISAMU IWAKI, DEPUTY MANAGER OF CONTEXSA WAS EARLIER A MANAGER FOR INSINCA. INSINCA WAS PARTLY CAPITALIZED BY CENTRAL AMERICAN DEVELOPMENT BANK (\$3.5M) AND GOES (INSAFI \$.5M).

10. IT IS POSSIBLE THAT OTHER LATIN AMERICAN GOVERNMENTS, INCLUDING COSTA RICA AND PROBABLY COLOMBIA, MEXICO AND HAITI HAVE BEEN IN CONTACT WITH GOES ABOUT OUR BILATERAL EFFORTS. INDEED, ALFREDO MILIAN OF NATIONAL TRADE INSTITUTE HAS BEEN IN CONTACT WITH COSTA RICA AND OTHERS AND CONSIDERS THAT U.S. HAS BEEN USING EL SALVADOR AS A WEDGE AGAINST REMAINDER OF LATIN AMERICA. HE CLAIMS HAITI HAS REFUSED SIGN BILATERAL, THAT COSTA RICA HAS DELAYED NEGOTIATIONS 60 DAYS AND THAT COLOMBIA AND MEXICO ARE BEING VERY DIFFICULT. MILIAN ALSO CONTENTS THAT A CLOSE STUDY OF MFA HAS CONVINCED HIM ES WOULD DO BETTER UNDER MFA WITHOUT BILATERAL AGREEMENT THAN UNDER ONE BASED ON JANUARY 25 MEMORANDUM OF UNDERSTANDING.

11. REQUEST FOR INSTRUCTIONS AND INFORMATION: PER ABOVE AND AMBASSADOR-JURICH TELECON OF 19 FEBRUARY WE WOULD APPRECIATE INSTRUCTIONS REGARDING POSITION WE SHOULD TAKE IN OUR DISCUSSIONS WITH GOES IF LATTER PERSISTS IN EFFORTS TO REOPEN NEGOTIATIONS. PLEASE ALSO ADVISE WHAT SITUATION EL SALVADOR WOULD FACE IF GOES DOES NOT SIGN AGREEMENT AND OPERATES ONLY UNDER MFA. WOULD IT BE ABLE TO EXPORT MORE OR LESS TO U.S. THAN QUANTITIES MENTIONED  
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IN JAN. 25 MEMOR-  
ANDUM? WHAT IS SITUATION WITH OTHER BILATERALS, PARTICULARLY HAITI, COSTA RICA, COLOMBIA AND MEXICO? IN VIEW EMERGING SITUATION HERE ALSO PLEASE KEEP US INFORMED OF FUTURE DEVELOPMENTS ON OTHER BILATERALS. PLEASE CITE SPECIFIC EXAMPLES OF WHERE WE ARE ON "THIN ICE" AS A RESULT OF OUR FORTHCOMING ATTITUDE ON ORIGINAL JAN. 25 GOES BILATERAL, WITH OTHER TRADING PARTNERS WHICH MAY INVOKE EQUITY CLAUSES. FINALLY, PLEASE ADVISE WHETHER OR NOT WE ARE IN FACT WILLING TO RENEGOTIATE AGREEMENT UPWARD, WHETHER IN LINE WITH MENJIVAR MEMORANDUM OR AT LESSER BUT YET SUBSTANTIAL LEVELS OF INCREASE. AT LEAST PRELIMINARY COMMENTS WOULD BE MOST VALUABLE BY COB 20 FEBRUARY FOR CONSIDERATION BEFORE FEB. 21 MEETING.  
CAMPBELL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXTILE INDUSTRY, NEGOTIATIONS, DIPLOMATIC COMMUNICATIONS, TRADE AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Reference:** 75 SAN SALVAOR 0382, 75 (NOTA TOKYO 1126  
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**Subject:** TEXTILES: GOES PREPARES REQUEST O RENEGOTIATE JUST COM- PLETED BILATERAL MEMORANDUM OF UNDERSTANDING  
**TAGS:** ETRD, ES, CO, HA, JA, CS, US, (CORDERO D'AUBUISSON, CARLOS), (BROWN, TIMOTHY)  
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